

COMMONWEALTH OF VIRGINIA
Department of Environmental Quality
Valley Regional Office

STATEMENT OF LEGAL AND FACTUAL BASIS
Minor Permit Modification

Tenaska Virginia Partners, L.P.
Tenaska Virginia Generating Station
Facility Location: State Route 761, 2.5 miles northeast of Antioch,
Fluvanna County, Virginia
Permit No. VRO40995

Effective Date: January 1, 2008
Expiration Date: December 31, 2012

As required by 40 CFR Part 70, 9 VAC 5 Chapter 80, Article 3 and Chapter 140 of the Commonwealth of Virginia Regulations for the Control and Abatement of Air Pollution, Tenaska Virginia Partners, L.P. has applied for a minor permit modification to the Article 3 Operating Permit for its Tenaska Virginia Generating Station. The Department has reviewed the application and has prepared a modified draft Article 3 Operating Permit. This permit is based upon Federal Clean Air Act Acid Rain permitting requirements of Title IV, federal operating permit requirements of Title V, and Chapter 80, Article 3 and Chapter 140 of the Commonwealth of Virginia Regulations for the Control and Abatement of Air Pollution

Engineer/Permit Contact: _____

Date: 4/7/08

Air Permit Manager: _____

Date: 4/7/08

Deputy Regional Director: _____

Date: 4/7/08

REQUESTED MODIFICATION

On May 21, 2007, the Valley Regional Office (VRO) received a request from Tenaska Virginia Partners, L.P. (Tenaska) for a State Operating Permit (SOP) for the Clean Air Interstate Rule (CAIR) Permit. VRO received an email on July 8, 2007 from DEQ Central office advising that CAIR Permit conditions be incorporated in the facility's Acid Rain Operating (Article 3) Permit rather than issuing a separate SOP. During the DEQ's Air Permit Manager's Group (APMG) conference call on July 8, 2007, it was confirmed that CAIR conditions may be incorporated into the facility's Article 3 Operating Permit by minor amendment. Accordingly, Tenaska was requested to submit Form 805 to modify its Article 3 Operating Permit.

On January 8, 2008, VRO received the Form 805 from Tenaska for a minor modification of its Article 3 Operating Permit to include CAIR requirements. The proposed changes to Tenska's Article 3 Operating Permit are considered a minor modification to the permit, as defined in 9 VAC 5-80-570.

CLEAN AIR INTERSTATE RULE (CAIR)

On March 10, 2005, the EPA signed the Clean Air Interstate Rule. The final rule was subsequently published in the Federal Register on May 12, 2005. The rule will require 28 eastern states (including Virginia) and the District of Columbia to achieve specified emission reductions for new and existing electric generating units (EGUs). Virginia DEQ opted to meet the state's emission budget by requiring EGUs to participate in an interstate cap-and-trade system, administered by the EPA that caps emissions in two stages. Phase I emission reductions begins in 2009 for the NO_x ozone season and annual programs and 2010 for the SO₂ annual program. The facility submitted a CAIR permit application to DEQ dated May 31, 2007 with a revised application dated January 8, 2008. These regulations affect units CTGDB1, CTGBD2 and CTGDB3 and are incorporated by reference into the facility's Acid Rain Operating (Article 3) Permit. Tenaska's CAIR application is included as an attachment to the Article 3 permit. Phase II begins in the year 2015 for all programs for both pollutants.

In 2009, NO_x Budget Trading Program (NBP) states affected by the Clean Air Interstate Rule will transition to the CAIR annual and/or ozone season programs.

APPLICABILITY OF 9 VAC 5-80-570

Minor permit modification procedures can only be used for those permit modifications that:

1. Do not violate any applicable requirement.

Incorporation of CAIR requirements does not violate any applicable requirements.

2. Do not involve significant changes to existing monitoring, reporting, or recordkeeping requirements in the permit such as a change to the method of monitoring to be used, a change to the method of demonstrating compliance or a relaxation of reporting or recordkeeping requirements.

The modification does not involve significant changes to existing monitoring, reporting, or recordkeeping requirements in the permit.

3. Do not require or change a case-by-case determination of an emission limitation or other standard, or a source-specific determination for temporary sources of ambient impacts, or a visibility or increment analysis.

The modification does not change any of the above referenced determinations.

4. Does not seek to establish or change a permit term or condition for which there is no corresponding underlying applicable federal requirement and that the source has assumed to avoid an applicable federal requirement to which the source would otherwise be subject. Such terms and conditions include:

- a. A federally enforceable emissions cap assumed to avoid classification as a Title I modification; and
- b. An alternative emissions limit approved pursuant to regulations promulgated under §112(i)(5) of the federal Clean Air Act.

Tenaska does not have any of these types of limits in their Article 3 operating permit.

5. Are not Title I modifications.

The requested modification is not a Title I modification.

6. Are not required to be processed as a significant modification under 9 VAC 5-80-590 or as an administrative permit amendment under 9 VAC 5-80-560.

The requested modification does not qualify as an administrative permit amendment or a significant modification.

The modification can be processed using the minor permit modification procedures as defined in 9 VAC 5-80-570.

CHANGES TO ARTICLE 3 OPERATING PERMIT

The Article 3 Operating Permit for the facility was issued on January 8, 2008 and will expire on December 31, 2012. The following changes have been made to the existing Article 3 Operating Permit:

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| <u>Section I:</u> | The new responsible official is Mr. Greg Kunkel, Vice President, Environmental Affairs. Mr. C. D. Holley's name is added as Clean Air Interstate Rule (CAIR) Designated Representative. |
| <u>Section III.D.4</u> | The 'Testing' requirements are revised to correspond with the current boilerplate. |
| <u>Section IX:</u> | Additional explanation is added to this section to indicate that once the compliance date for NO _x reductions under the CAIR (Section X) becomes effective, the requirements related to NO _x Budget Trading Program Requirements will no longer be applicable: |
| <u>Section X:</u> | CAIR requirements were added. These requirements affect units CTGDB1, CTGBD2 and CTGDB3 and are incorporated by reference. Tenaska's CAIR application is included as an attachment to the Article 3 Operating Permit. |

PUBLIC PARTICIPATION

The public participation requirements of 9 VAC 5-80-670 do not apply to minor permit modifications. Therefore, a public notice is not required.

9 VAC 5-80-570 D. requires that "affected states" and EPA be notified of the of the minor permit modification request within five days of receipt of a complete application. EPA was notified of the receipt of the application on January 16, 2008. The proposed permit was sent to EPA on February 22, 2008. EPA's 45 days review period ended on April 6, 2008. No comments were received.